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FM AMEMBASSY JAKARTA
TO RUEHC/SECSTATE WASHDC PRIORITY 3140
INFO RUEATRS/DEPT OF TREASURY WASHDC
RUCPDOG/DEPT OF COMMERCE WASHDC
RUEHRC/USDA FAS WASHDC
RHEHNSC/NSC WASHDC
RUEKJCS/SECDEF WASHDC
RUEHJS/ASSOCIATION OF SOUTHEAST ASIAN NATIONS
RUEHKO/AMEMBASSY TOKYO 0207
RUEHHE/AMEMBASSY HELSINKI 0880
RUEHBY/AMEMBASSY CANBERRA 0394
RUEHTC/AMEMBASSY THE HAGUE 3298
RUEHSM/AMEMBASSY STOCKHOLM 2049
RUEHBS/USEU BRUSSELS
RHHMUNA/USCINCPAC HONOLULU HI
RUEAIIA/CIA WASHDC
RHHJJAA/JICPAC HONOLULU HI
RUEKJCS/JOINT STAFF WASHDC
RHEFDIA/DIA WASHDC

UNCLAS SECTION 01 OF 05 JAKARTA 000302

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SENSITIVE
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AIDAC

DEPT FOR EAP/MTS AND EB/IFD/ODF
TREASURY FOR IA - SETH SEARLS
USDA FOR FAS/EC/MCHAMBLISS
NSC FOR MORROW and MELINE
USAID FOR ANE/EAA

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SUBJECT: TSUNAMI RECOVERY AND TRANSFORMATION - ACEH AT TWO YEARS

REF: A) JAKARTA 300 - ACEH AT TWO YEARS - PART 1

- B) 06 JAKARTA 13604
- C) 05 JAKARTA 16372
- D) 05 JAKARTA 16521

1. (SBU) Summary: The Reconstruction and Rehabilitation Agency of Aceh and Nias (BRR) has made significant progress on the immense task of rebuilding Aceh and Nias in its 20 months of operation. However, in contrast to a year ago, BRR is receiving increased criticism for spending too slowly (or too fast), failing to adequately monitor construction, and not coordinating effectively with local governments. NGOs claim that BRR is competing with them or pushing them out after they have painstakingly negotiated projects. For its part, BRR is concerned that international non-governmental organizations (NGOs) in Aceh are failing to keep promises, not delivering fast enough, or pulling out early. BRR staff say their coordination with local governments is improving and the agency hopes to hand off infrastructure projects gradually to them between 2008 and 2009. Media reports of rampant illegal logging to feed the reconstruction effort are inaccurate. Donors are sensitive to this issue and making every effort to use wood from sustainable sources. Adding to the reconstruction challenge is the reintegration of former "Free Aceh Movement" (GAM) members, which is generally succeeding, although more program funds are needed for former GAM and GAM-affected communities. Ref A reports on housing, infrastructure, and livelihood issues in Aceh and Nias two years after the tsunami. End Summary.

BRR Making Clear Progress

2. (SBU) Officers from Embassy Jakarta and Consulate Medan made a January 16-20 swing through Meulaboh and Banda Aceh to observe

progress on reconstruction from the December 2004 earthquake and tsunami. The key reconstruction institution is the BRR, which the

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Government of Indonesia (GOI) launched in May 2005 with a four-year mandate. BRR is the dominant reconstruction player, nearly twice as large as the next biggest agency, the Red Cross. Although BRR bashing is popular in the media, the agency is doing as well as can be expected given the magnitude of its task. The health and education sectors in the tsunami-affected areas now seem to be functioning well, with adequate resources. BRR has facilitated some very positive developments, such as joint land titling. Former President Clinton wrote that the new land titling policy that provides joint ownership between husband and wife is an example of "building back better." This strategy, initiated in 2006, and publicized with USAID technical assistance, ensures men and women will enjoy equal rights in land ownership of parcels that will be purchased and distributed to the community by BRR.

13. (SBU) BRR has been criticized both for spending money too fast and for spending it too slowly. Some international NGOs complained that BRR was building too fast, sacrificing quality for quantity and speed. Other tsunami victims and local government officials said BRR was too slow and undisciplined in pulling projects and proposals together, taking months when it should take only days or weeks. At least some of the criticisms appear valid: several observers pointed out that many BRR offices wait until they have funding completely in hand before starting the pre-tendering process, a procedure that routinely slows projects by three or four months. One international NGO representative noted that BRR has, "Too many managers and not enough implementers."

BRR Bashing is Easy, but the Task is Immense

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14. (SBU) One donor representative noted with some concern that BRR Head Kuntoro said he wants BRR to wrap up its work by 2008 instead of 2009 as originally planned. The representative believes this "sends a poor message" to the people of Aceh. A BRR Deputy noted that this was a misunderstanding: BRR wants to get most infrastructure projects completed or well underway by mid-2008 so that it can hand them off to local governments in an orderly transition before BRR's mandate expires in April 2009. However, another NGO representative told us that BRR's entire reconstruction model is wrong and that the agency should focus on livelihoods. If people are earning money they can buy their own houses, the NGO representative noted. The former acting governor of Aceh expressed a similar sentiment. He believes that BRR should buy more land in safe areas and build houses there instead of making people wait until the complex process of land titling has been complete. Once people have gone back to work, he said, they will have resources to rebuild their own houses. (Comment: While well-meant, the former acting governor's comment greatly underestimates the time, cost and difficulty of purchasing large tracts of land for resettlement and in providing the services that would make them habitable. End Comment.)

15. (SBU) Many critics claim that BRR has used double counting and other methods to overstate the number of houses it claimed to build during 2006. A representative from BRR responded to this criticism by pointing to the appendix to its two-year update report, with exact locations of the houses built. "Let them go and see for themselves," a BRR Deputy told us. However, BRR's housing deputy resigned in early January 2007, a development that could slow the agency's decision making in the short term.

Significant Good Governance Efforts

16. (SBU) BRR set up an anti-corruption unit (SAK) in September 2005 that has received over 1000 complaints. A former BRR Anti-Corruption advisor said that the agency had passed along many of the complaints to the national Anti-Corruption Commission (KPK) or other appropriate body, and that 75% had been resolved. Transparency

International Indonesia (TII) began a program in Aceh in March 2006.

It distributed several thousand survey forms to tsunami-affected residents in Pidie and Bireun districts. Not surprisingly, most completed surveys complained about housing issues. TII representatives and several other sources told us that construction contractors have been responsible for the vast majority of corruption in Aceh in recent months.

NGOs and BRR - Coping With Each Other

17. (SBU) Despite challenges, NGOs and BRR have found ways to work together - or work around each others' perceived shortcomings - to get projects underway. However, some tension between the BRR, NGOs, and other donors is probably unavoidable. About 70 domestic NGOs sent a letter to BRR Director Kuntoro in January 2007 protesting BRR's performance. Several international NGOs also expressed frustration that by acting as an implementing agency instead of just a coordinating agency, BRR actually competes with NGOs. One large international donor told us that BRR "took away" a school project from a bilateral donor that had already finalized plans, and gave it to a BRR-appointed contractor. BRR counters that it has a time-limited mandate and is under great pressure to produce results.

It claims NGOs are making promises and either moving too slowly or failing to deliver results. BRR officials told us that in one case, a domestic NGO based in Java had promised to rebuild an important market in Banda Aceh. The NGO started the project, but then ran out

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of money to complete it.

18. (SBU) BRR remains concerned that some NGOs are pulling out early.

Indeed, some NGOs confirmed they planned to wrap their Aceh programs up in 2007, a year or more earlier than originally planned.

BRR designed its "Reconstruction for Aceh and Nias (RAN)" database to be an information resource for both donors and BRR on projects. All NGOs and donors we met, however, told us that inputting project data into the RAN database is burdensome, while providing little benefits. The World Bank agrees.

19. (SBU) The tension between BRR and NGOs seems to be greater in Banda Aceh than in more rural areas. One NGO representative told us this is partly because outside of Banda Aceh, BRR has done little to coordinate and has instead focused on implementing projects. A representative from the local government in West Aceh confirmed this and said that until recently, BRR rarely attended coordination meetings held among the local government, NGOs and UN agencies.

Turf Battles Between BRR and Local Governments

110. (SBU) Tensions over turf and lines of authority have existed between provincial officials and BRR since the formation of BRR, and provincial and district government officials are among the most critical of BRR. According to local officials, the problem results from BRR's unwillingness to communicate or coordinate with their local government counterparts. A former acting governor, who has had significant differences with BRR from the beginning, told us that the unwillingness to work with local governments goes all the way to the top. Last August, the former acting governor said, he attempted to help Kuntoro manage some of the criticism by offering to host a meeting where he could speak with the regents of the tsunami affected regions. Kuntoro was reportedly unresponsive.

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111. (SBU) As examples of poor coordination, several local officials complained that they first learned of BRR projects when villagers came to them to ask about the new construction going on near their homes. A representative from the Banda Aceh mayor's office told us his office has been forced to pay land compensation and been the subject of demonstrations by people whose land BRR had taken for projects that the city did not even know were underway. Had the local government been notified in advance, he said, many of these problems could have been avoided. BRR has attempted to respond to this criticism by forming regional offices responsible for clusters

of districts.

¶12. (SBU) Nonetheless, an official from the West Aceh local government described the BRR's initial efforts as abject failure, blasting BRR for refusing to so much as meet with their local government counterparts. The situation improved significantly, he said, after the BRR appointed a former provincial government official to head up the regional office. Since that time, the West Aceh official said, the BRR and local government have developed a solid working relationship whereby each side has to approve each project before it goes forward. A representative from the regional office confirmed this and added that before new projects commence, BRR and the local government sign an agreement listing the responsibilities of each side. BRR's goal is to have the local government commit to provide a small portion of the project costs and commit to funding the maintenance of the project after it has been completed. Both sides appear happy with this arrangement, indicating that closer cooperation between BRR and the local government can speed the recovery process.

¶13. (SBU) A desire for enhanced cooperation with local government

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representatives also appears to be behind the BRR proposal to postpone the planned next meeting of the Coordinating Forum for Aceh-Nias (CFAN 3) originally scheduled for February 6. The proposed delay will allow the newly elected Governor, Deputy Governor and district leaders to participate fully in CFAN 3, following their inaugurations in mid-February. Building local government capacity will also be important in the next two years.

Illegal Logging? Inaccurate Media Reports

¶14. (U) In December 2006, some media reports blamed the flooding in Aceh on rampant illegal logging to supply wood for reconstruction. According to the British head of the Leuser Foundation, which oversees conservation efforts along Aceh's mountainous interior, as well as senior forestry officials working in Aceh and North Sumatra, these reports are incorrect. According to them, the flooding was the result of exceptionally heavy rains coupled with the effects of extensive legal logging carried out in the region decades ago.

¶15. (U) BRR's two-year report notes that reconstruction's demand for wood amounts to about 740,000 cubic meters, with only 100,000 available on the local market. BRR established a Timber Help Desk in 2006 and prepared a list of verified domestic suppliers. Donors have also assisted by sourcing wood from sustainable sources overseas in Europe, Australia and elsewhere. The "Timber for Aceh" program supported by USAID is one of those efforts. Some NGOs noted, however, that the conflict protected Aceh's forests and now that the province is opened up, they may again be at risk. Of course, during the years of conflict, the TNI generally had free rein over Acehese resources. BRR and donors are very sensitive to the illegal logging issue, however, and are making every effort to use wood from sustainable sources. Houses are being constructed of bricks, concrete and other materials, with wood used mainly for door and window frames.

Disaster Risk Reduction and Emergency Preparedness

¶16. (U) BRR hopes to complete a Disaster Risk Reduction policy and framework in 2007, and several donors have been helping Aceh with disaster drills and information. The IFRC told us that its emergency radio system is nearing completion in 22 offices in Aceh. Emergency drills and training have increased awareness of procedures and evacuation routes in the event of another large earthquake or other disaster.

GAM Reintegration Proceeding

¶17. (SBU) Official programs to reintegrate former members of the "Free Aceh Movement" (GAM) and provide compensation to persons affected by the conflict are working better than many expected. In

February 2006, the Governor of Aceh established the Agency for Reintegration of (Badan Reintegrasi Aceh or BRA). In 2006, the BRA paid more than \$21 million in compensation to 3,000 former GAM combatants, 6,200 other GAM members, 6,200 former members of anti-separatist groups, and former political prisoners. The impact of these cash payments to the economy has been significant. Programs to identify persons crippled by the conflict or who lost family members are underway and some members of this group have already started to receive a small annuity from the government. Problems remain, however, as in several districts former GAM members are resorting to extortion and pressuring local governments to set aside a portion of all government contracts for them. There is consensus that more assistance programs are needed for former GAM

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and GAM-affected communities.

Aceh's New Governor and Reconstruction

¶18. (SBU) Aceh's new Governor, Irwandi Yusuf, who will be installed on February 8, was formerly an advisor to BRR and has been critical of BRR's approach toward the provincial and local governments. He has recently called for the BRR to hand over much of its funding and coordinating functions to the provincial government so that he can better control the reconstruction process. Yusuf's real message to the BRR, however, appears to be that he expects to play a larger role in reconstruction than his predecessor did. In addition, 13 of the 18 district heads the GOI will install in February 2007 have minimal previous experience in government. Several, in fact, do not even have a high school education, much less the skill needed to manage large-scale reconstruction programs. The World Bank notes that according to 2006 surveys, "local governments have weak regulatory frameworks to enhance transparency and public participation (39%), to manage public funds effectively (41%) and to enforce rules and organization structures (33%)." The USAID-funded Local Governance Support Program, in cooperation with BRR and UNDP, will offer an Executive Development Program to introduce the newly elected mayors and district heads to their new roles and responsibilities, relevant laws, local planning and budgeting processes and requirements, leadership skills and relations with local (district) legislature.

¶19. (SBU) Comment: BRR may not be doing everything right, but it faces a daunting task and is making clear progress. Without BRR, donors would have to attempt to coordinate with a bewildering array of overlapping local and central government authorities, a situation that created a great deal of wheel-spinning in the four post-tsunami months before BRR was created. A major challenge facing the agency will be learning to coexist with a new, directly elected government in Aceh. BRR will need to reach out to the new leaders to gain their support and establish productive working relationships.

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